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INFO RUEHAC/AMEMBASSY ASUNCION 6101
RUEHBO/AMEMBASSY BOGOTA 3418
RUEHBR/AMEMBASSY BRASILIA 7278
RUEHB/AMEMBASSY BUENOS AIRES 4533
RUEHCV/AMEMBASSY CARACAS 1798
RUEHPE/AMEMBASSY LIMA 1836
RUEHMN/AMEMBASSY MONTEVIDEO 4012
RUEHQ/AMEMBASSY QUITO 4433
RUEHSG/AMEMBASSY SANTIAGO 9002
RHEHN/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

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SUBJECT: HYDROCARBONS MINISTER RESIGNS

REF: LA PAZ 2511

¶1. (SBU) Hydrocarbons Minister Andres Soliz Rada, along with the Vice Minister and two Directors of Hydrocarbons, resigned on the evening of September 15 following Vice President Alvaro Garcia Linera's freeze of a ministerial resolution that would have shifted hydrocarbons companies' revenues to the state oil company YPFB (reftel). Garcia Linera froze the resolution after it provoked a strong reaction from Brazilian President Lula da Silva due to the negative impact that it would have had on the Brazilian firm Petrobras. Former Development Planning Minister Carlos Villegas was named Hydrocarbons Minister on September 16. Villegas, in line with President Morales' statements, affirmed that the GOB's nationalization plan would go forward, but in a "broader spirit" of "more open" negotiation with private companies. The Vice Minister of Public Investment and External Finance, Hernando Larrazabal, was named Development Planning Minister.

¶2. (SBU) Private investors in the sector viewed Soliz Rada, the main proponent of the GOB's hydrocarbons nationalization strategy, as a hard-liner with whom negotiations were difficult. Company representatives are hopeful that Villegas will be a more agreeable interlocutor as GOB-company negotiations begin anew on September 18.

¶3. (SBU) Comment: Political analysts in La Paz have had a field day interpreting first Garcia Linera's decision to freeze Soliz' resolution, then the Minister's rapid resignation. Some expressed the view that the Vice President's decision reflects a softening by the GOB of its hard-line approach on nationalization or at least a repudiation of failed tactics. The government does seem to be taking a more conciliatory tone, although it maintains that its nationalization goals have not changed. The Brazilian Charge told us September 18 that he expects Villegas to adopt a less confrontational approach than Soliz. He added, however, that the GOB's main objectives remain the same. The Charge forecast a difficult month ahead for Brazilian/Bolivian relations. End comment.

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